

1 December 2021

Eyeopener

NBP chief sees room for rate hikes

Powell admitted inflation is not transitory, Glapiński sees room for rate hikes
 Equity markets fell after Fed governor's speech
 EURUSD volatile, yields of 10Y Bunds and UST lower
 Zloty stronger, bonds gained following core markets
 Today, manufacturing PMIs in Europe, ISM and ADP report in the US

On Tuesday equity markets in Europe and the US ended the day in red, albeit the selloff was not continued in Asia and today in the morning the futures slightly rebounded. The 10Y UST yield fell by 10bp to 1.43% while Bund by 3bp to -0.35%. Brent oil fell another 4% to \$71, while the 3-day move stands at -14%. The flash HICP reading in the Eurozone strongly surprised to the upside (4.9% y/y vs expected 4.5% y/y and 4.1% y/y previously). Higher than expected inflation was also the case in France (3.4% y/y). In the US, the pace of house price increases in the 20 top biggest cities (Case-Shiller index) slightly declined however still remains elevated (19.1% y/y vs 19.7% y/y). In November, the Conference Board consumer confidence both disappointed (109.5 vs 110.9) and was revised lower for the previous month down 2.2pp to 111.6.

Jerome Powell said that it is high time to retire the term "transitory" in relation to CPI inflation, the Fed will use all available tools to fight elevated inflation and is able to consider accelerating of QE tapering. As a result the dollar started to strengthen again.

CPI inflation in Poland jumped in November to 7.7% y/y from 6.8% y/y in October, once again beating the market consensus. According to our estimates core inflation climbed to 4.7-4.8% y/y from 4.5% y/y in September. Price pressure remains very strong and CPI is likely to surpass 8% y/y in December already.

GDP growth in 3Q rose 5.3% y/y and 2.3% q/q s.a. (revised up from the flash 5.1% y/y, 2.1% q/q). The data showed that the economy was on strong recovery path in 3Q, fuelled mainly by the domestic demand. Together with the recent monthly data on real activity in October, they allow to be very optimistic about 2021 GDP outcome: we see the room to lift estimates for this year to 5.4%, at least. We think that solid GDP data, together with high CPI print, is a strong argument for MPC to deliver another significant rate hike in December (+75bp is our base case scenario).

MPC member Eugeniusz Gatnar said that MPC should increase interest rates in December and January by 50bp each time because inflation is increasing not only due to internal pressure but also due to weak FX. **Rafal Sura** thinks that the December hike is necessary, and the MPC has to act in order to achieve the main aim it had previously communicated to the markets: in 2023 bring the CPI inflation down to the upper end of the target band, which is 3.5%. **Grażyna Ancyparowicz** said that the November inflation reading was surprising for her, she was not expecting such a strong inflationary pressure. **Adam Glapiński** in an interview for "Gazeta Polska" acknowledged that "there is room for interest rate increases" however it is not unlimited, because the economy should not be slowed down. He also said that: "there is no strong economy without the strong zloty", however the stronger zloty is not always beneficial for Poland.

EURUSD was quite volatile on Tuesday: first it climbed to almost 1.140 but then fell to 1.1225 after words of Jerome Powell and today in the morning it opens back at 1.133.

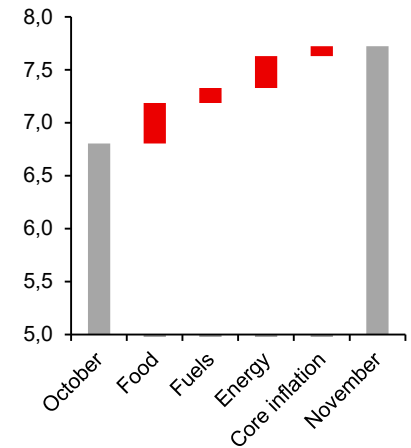
EURPLN fell on Tuesday by 0.4% to 4.66 thanks to global sentiment improvement but also after the MPC member's comments suggesting possible rate hikes. Today the downward move was strengthened by words of A. Glapiński (the day starts near 4.645).

Other CEE currencies: EURHUF declined by 0.5% to 365.9. The Hungarian central bank asymmetrically moved up widened its corridor for main rate (unchanged at 2.10%) with deposit rate at 1.60% and lending rate to 4.10%, thus leaving more space for more aggressive actions in fighting the inflation. The MNB also decreased its weekly purchases within the QE programme. EURCZK declined by 0.2% to 25.52. Czech GDP in 3Q21 proved better than expected (3.1% y/y vs 2.8% y/y). Meanwhile, USDRUB stayed at 74.50 (weaker ruble vs basket and rising EURUSD have offset each other).

On the **Polish fixed income market** the bond and IRS curves moved lower (by 12-14bp and 12-18bp, respectively) following the core markets. The 10Y POLGB yield stands close to 3.1%, the spread to Bund at 353bp.

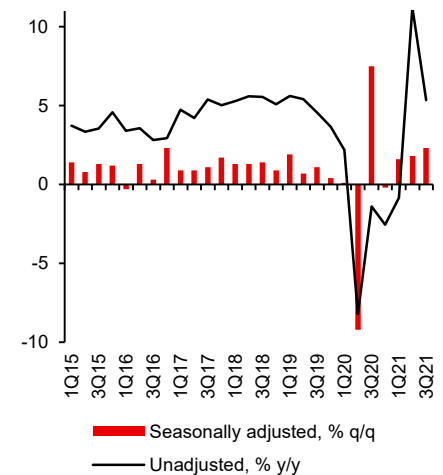
In December **BGK** may hold one bond auction. So far, it has already issued bonds worth PLN39.2bn out of the total planned limit PLN39.7bn, so the size of the potential issuance is likely to be small. The **Ministry of Finance** said that on December 9 (one day after the MPC meeting) it will hold the switching bond auction, the only one in this month.

November rise of CPI inflation, % y/y



Source: GUS, Santander

Polish GDP growth



Source: GUS, Santander

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FX market

Today's opening			
EURPLN	4.6451	CZKPLN	0.1820
USDPLN	4.1012	HUFPLN*	1.2646
EURUSD	1.1324	RUBPLN	0.0555
CHFPLN	4.4584	NOKPLN	0.4533
GBPPLN	5.4617	DKKPLN	0.6245
USDCNY	6.3645	SEKPLN	0.4544

*for 100HUF

Last session in the FX market						30/11/2021
	min	max	open	close	fixing	
EURPLN	4.653	4.688	4.675	4.663	4.683	
USDPLN	4.095	4.146	4.133	4.131	4.121	
EURUSD	1.123	1.138	1.131	1.129	-	

Interest rate market 30/11/2021

T-bonds on the interbank market**

Benchmark (term)	%	Change (bps)
DS1023 (2Y)	2.84	-2
DS0726 (5Y)	3.20	-10
DS0432 (10Y)	3.11	-10

IRS on the interbank market**

Term	PL		US		EZ	
	%	Change (bps)	%	Change (bps)	%	Change (bps)
1L	2.84	3	0.38	3	-0.51	0
2L	2.98	-3	0.80	5	-0.37	0
3L	3.02	-5	1.05	2	-0.25	1
4L	3.02	-5	1.18	0	-0.18	1
5L	3.00	-5	1.27	-1	-0.12	1
8L	2.92	-5	1.42	-5	0.03	-2
10L	2.91	-5	1.49	-5	0.13	-3

WIBOR rates

Term	%	Change (bps)
O/N	1.05	11
T/N	1.18	11
SW	1.30	3
2W	1.47	7
1M	1.70	5
3M	2.06	7
6M	2.38	5
1Y	2.63	4

FRA rates on the interbank market**

Term	%	Change (bps)
1x4	2.45	-1
3x6	2.83	-2
6x9	3.17	2
9x12	3.19	2
3x9	3.02	-6
6x12	3.25	-3

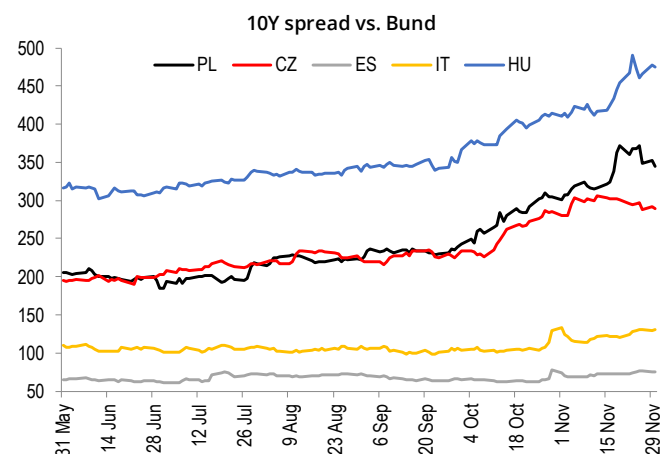
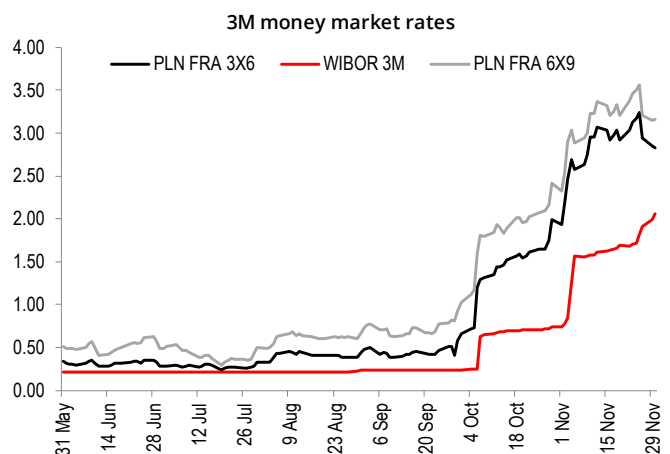
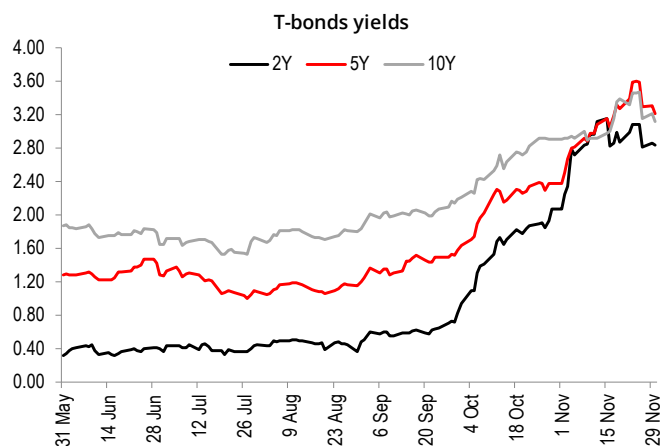
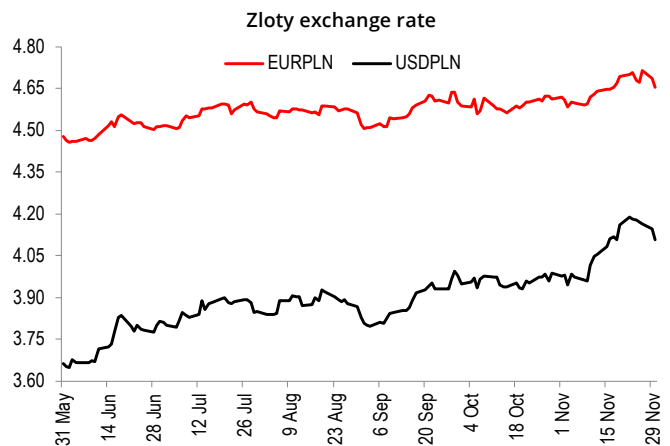
Measures of fiscal risk

Country	CDS 5Y USD		10Y spread*	
	Level	Change (bps)	Level	Change (bps)
Poland	53	0	345	-8
France	9	0	35	-1
Hungary	51	0	475	-3
Spain	35	0	75	0
Italy	52	0	131	1
Portugal	23	0	67	0
Ireland	11	0	46	-4
Germany	7	0	-	-

* 10Y treasury bonds over 10Y Bunds

**Information shows bid levels on the interbank market at the end of the trading day

Source: Refinitiv, Datastream



Economic Calendar

TIME CET	COUNTRY	INDICATOR	PERIOD		FORECAST		ACTUAL VALUE	LAST VALUE*
					MARKET	SANTANDER		
FRIDAY (26 November)								
	PL	Central Budget Cumul.	Oct	mn PLN	-		51 888	47 589
MONDAY (29 November)								
11:00	EZ	ESI	Nov	pct.	117.9		117.5	118.6
14:00	DE	HICP	Nov	% m/m	-0.2		0.3	0.5
16:00	US	Pending Home Sales	Oct	% m/m	1.0		-4.7	-2.4
TUESDAY (30 November)								
09:00	CZ	GDP SA	3Q	% y/y	2.8		3.1	2.8
10:00	PL	CPI	Nov	% y/y	7.3	7.4	7.7	6.8
10:00	PL	GDP	3Q	% y/y	5.1	5.1	5.3	5.1
11:00	EZ	Flash HICP	Nov	% y/y	4.5		4.9	4.1
16:00	US	Consumer Conference Board	Nov	pts	110.9		109.5	111.6
WEDNESDAY (1 December)								
08:00	DE	Retail Sales	Oct	% m/m	0.6		-	-1.9
09:00	PL	Poland Manufacturing PMI	Nov	pts		53.5	-	53.8
09:00	HU	GDP	3Q	% y/y	6.1		-	6.1
09:55	DE	Germany Manufacturing PMI	Nov	pts	57.6		-	57.6
10:00	EZ	Eurozone Manufacturing PMI	Nov	pts	58.6		-	58.6
14:15	US	ADP report	Nov	k	515.0		-	571.1
16:00	US	ISM manufacturing	Nov	pts	61.0		-	60.8
THURSDAY (2 December)								
11:00	EZ	Unemployment Rate	Oct	%	7.4		-	7.4
14:30	US	Initial Jobless Claims	Nov/21	k			-	199.0
FRIDAY (3 December)								
02:45	CN	Caixin China PMI Services	Nov	pts	51.0		-	53.8
09:55	DE	Markit Germany Services PMI	Nov	pts	53.4		-	53.4
10:00	EZ	Eurozone Services PMI	Nov	pts	56.6		-	56.6
11:00	EZ	Retail Sales	Oct	% m/m	0.3		-	-0.3
14:30	US	Change in Nonfarm Payrolls	Nov	k	500.0		-	531.0
14:30	US	Unemployment Rate	Nov	%	4.5		-	4.6
16:00	US	Durable Goods Orders	Oct	% m/m	0.2		-	-0.5
16:00	US	ISM services	Nov	pts	65.0		-	66.7
16:00	US	Factory Orders	Oct	% m/m	0.5		-	0.2

Source: Santander Bank Polska, Bloomberg, Parkiet

* in the case of a revision the data is updated

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